

POWERMATTERS

<http://www.abag.ca.gov/services/power>

ABAG POWER Goes Green

Electric Pool Offers Renewable Energy to Members

ABAG POWER has signed an agreement with CALPINE Corporation that will provide renewable power at lower costs to ABAG POWER members. Over the past year, we continually looked for ways to generate savings for our members. In doing so, ABAG POWER has become a registered Renewable Provider with the California Energy Commission (CEC). This allows us to participate in their program which provides incentives and savings for adding renewable power into California's electrical system. Our energy provider, CALPINE, took over ownership of The Geysers generation facilities from Pacific Gas and Electric (PG&E) in May of this year, making them the largest producer of geothermal power in the United States.

History of the Program

Because of California's historical commitment to the development and use of renewable power, our electricity system is as diverse as any system in the world. According to the CEC, the use of renewable power represents over 10 percent of the power produced in the state.

In the landmark electric restructuring legislation, AB 1890, that took affect January 1, 1998, California continued its commitment to renewable power. AB 1890 provided for a set-aside of \$540 million for incentives to encourage the development of new and continuation of existing renewable power production. Such technologies include biomass, solar thermal, photovoltaic, wind, geothermal, small hydropower (30 megawatts or less), waste tire, digester gas, landfill gas and municipal solid waste generation. The CEC was given the authority to administer the funds which are available through March 2002.

To distribute the funds, the CEC established the Renewable Resource Trust Fund. To provide varying incentives for a greater influx of renewable power into



Power plants, such as this CALPINE Sonoma Geothermal Power Plant, will provide ABAG POWER with low-cost, reliable and environmentally sound electricity.

the electric system, the CEC earmarked the incentives into four program areas: Existing Technologies, New Technologies, Emerging Technologies and Customer-Side Renewable Resource Purchases. ABAG POWER is eligible to participate in the Customer-Side Renewable Purchase program.

How the Program Works

The Customer-Side Renewable Resource program is currently allocated 9 percent of the total \$540 million set-aside. The CEC expects to make modifications to the program as it monitors how subscribers use the incentives. Projections indicate that the percentage for the customer-side program will increase to over 20 percent in the coming years. The program is designed to return \$15.00 per megawatt of renewable power that is put into the system. The Energy Commission has put a limit of \$1,000 on those meters that are above 20 kilowatts — those meters that do not pay the revenue reduction bonds. There are no restrictions on the use of the rebate for meters that are under 20 kilowatts.

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Gas Program Savings Continue; Electric Program Changes Billing System

Gas Program Records 5% Savings

ABAG POWER's natural gas program completed its third successful year on June 30, 1999, providing total savings of 5 percent to its 44 participating members. This compares to the previous savings of 2 percent for 1997-98 and 7 percent for 1996-97. The gas program, which began on April 1, 1996, has provided a total savings of approximately \$275,000, or an average of 5 percent for this three-year period. This represents significant savings to member agencies and taxpayers.

Each participating program member has received a specific savings report that includes a monthly analysis of the gas consumed and purchased under the program with a comparison to the bundled PG&E rating. The savings for each agency vary, reflecting agencies' individual use of natural gas during the year. Agencies that use a higher proportion of their gas in the winter, when the program's gas rates were lower than PG&E's, experience higher savings than those agencies who have a larger gas usage in the summer when our rates have not been as competitive as PG&E's.

In addition to the program's savings, ABAG POWER's natural gas program provides price stability by insulating members from significant price fluctuations in the natural gas market. The program's gas supply contract with Enserch includes maximum price caps that protect the program from market volatility, keeping utility costs within members' budgets.

ABAG POWER anticipates greater program savings in the future. We recently negotiated a one-year contract extension with Enserch which will provide a 5 to 7 percent reduction in the price that member agencies pay for natural gas during the coming year. In addition, member agencies have agreed to extend the term of program participation to three years, which will provide the flexibility to purchase natural gas at further reduced rates. A longer-term contract will also allow us to modify our gas supply contracts in response to changing market conditions. We estimate that program savings will increase significantly.

This program is open for new member participation at any time during the year. We have already been contacted by several agencies who have expressed interest in joining the program.

If your agency is interested in participating in the gas program, or if you have any questions or comments, please contact Elena Schmid, Power Manager, at 510/464-7908 or e-mail ElenaS@abag.ca.gov.

Members Will Pay Actual Electric Costs

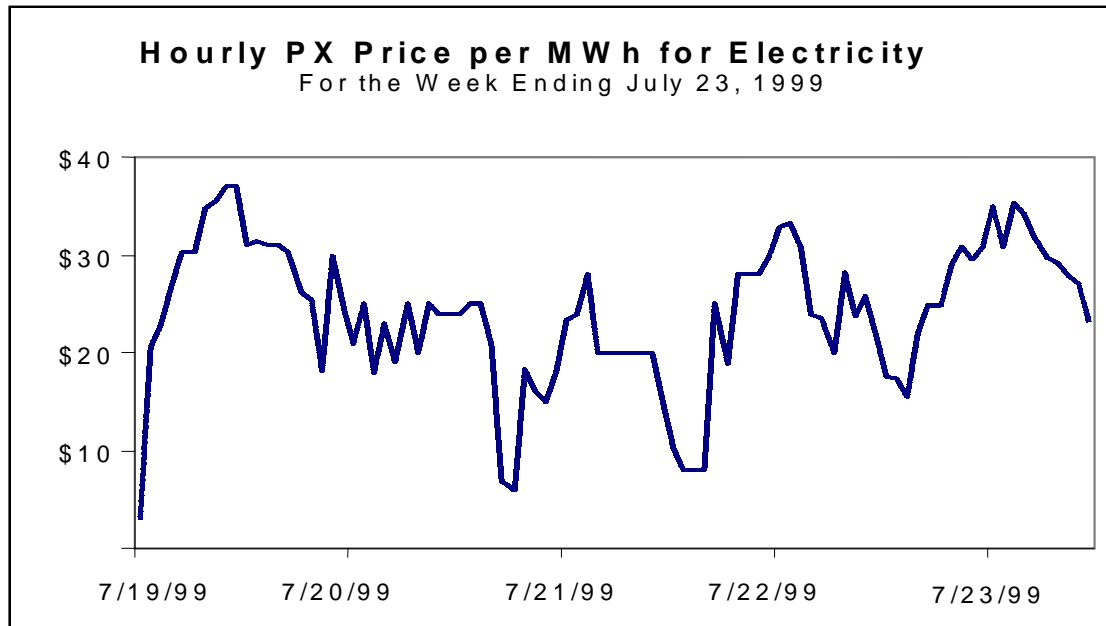
The 199909 invoice that will be mailed in August represents a significant change for billing procedures for electric program members. With this invoice, ABAG POWER will implement an "actual" billing system by charging members the exact cost of electricity used.

When the electric program was created, the billing system was based upon levelized payments. This system uses equal monthly payments based on a meter's historical energy usage. Periodically, a "true-up," or reconciliation, would be performed to reconcile payments made to electricity used. This system was designed to provide early cash flow assistance to the program and a simplified payment schedule for participating agencies.

The levelized payment system, however, experienced problems dealing with payments, accounting and monitoring electric usage. Members requested a change in the billing system to reflect actual usage to resolve these issues.

ABAG POWER agrees. The new system means that agencies will no longer be assessed a levelized payment, but will simply pay the actual cost of energy used during the month. As a result, there will be monthly variances in the total amount due. We believe that this change will greatly simplify the billing process.

Please contact Christine Cleary with any questions at 510-464-7947 or e-mail ChristineC@abag.ca.gov.



For the month of July, ABAG POWER purchased electricity for members off the Power Exchange (PX). The chart above shows the hourly PX price per megawatt hour for electricity.

ABAG POWER Goes Green (cont.)

The Renewable Resource program is coordinated through ABAG POWER's and CALPINE's Scheduling Coordinators. The Scheduling Coordinators provide the transmission system operator with information about how much power is put into the system and how much is taken out. With the detailed logs of the two Scheduling Coordinators, we will provide the CEC with the information it needs to rebate ABAG POWER for our use of renewable power.

ABAG POWER has been working with CALPINE to structure a program that provides maximum benefit to our members. Sharing this \$15.00 per megawatt incentive between the registered green generator and our members should generate significant energy savings for members of ABAG POWER.

Upcoming ABAG POWER Executive Committee Meetings

The ABAG POWER Executive Committee meets the third Wednesday of every month at the ABAG offices from 12:00 to 2:00 p.m. Agendas and minutes of the meetings are posted on our website (<http://www.abag.ca.gov/cgi-bin/agendas.pl>). Below are the remaining meeting dates through the end of the year.

- August 18
- September 15
- October 20
- November 17
- December 15

Program Management

ABAG POWER Welcomes Elena Schmid

On June 1, 1999, ABAG POWER welcomed Elena Schmid as its new program manager. Elena will oversee both the natural gas and electric pool programs.

Before joining ABAG, Ms. Schmid was appointed director of the Office of Rate Payer Advocates (ORA), an independent division of the California Public Utilities Commission (CPUC). The ORA represents the interests of public utility customers in CPUC proceedings with the goal of obtaining the lowest possible rate for service consistent with reliable and safe service levels. ABAG POWER will greatly benefit not only from Elena's ORA experience and as a board member of the California Independent System Operator (ISO) but also from her industry knowledge and expertise.

You can reach Elena at 510/464-7908, or e-mail ElenaS@abag.ca.gov.



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